

## Appendix 3

## FUNDING SOURCES FOR TRANSPORTATION RELATED PROJECTS

### LOCAL SOURCES:

#### ----- 1. Local Cumulative Bridge Fund

This fund is an important supplementary source of revenue for the construction and repair of county highway bridges, bridge approaches, and grade separations. Indiana statutes authorize county commissioners to establish a county-wide tax levy on assessed valuation of all taxable personal and real property to accumulate revenue for the fund.

It may be levied annually or established for a period of five years and renewed for like periods of time. The tax rate may not exceed 30 cents per \$100 of assessed valuation.

#### 2. Local Cumulative Capital Improvement Fund

Indiana statutes authorize cities and towns to establish a cumulative capital improvement fund to provide monies for several municipal purposes, including land acquisition for right-of-way, construction or improvement of streets and thoroughfares, and retirement of general obligation bonds.

Monies for this fund are derived from levied taxes, not to exceed \$1 per \$100 of assessed valuation of all locally taxable real and personal property. The tax may be renewed annually or for any period not to exceed ten years.

#### 3. Local General Obligation Bonds

The cities of Lafayette and West Lafayette have the power to debt finance nonproprietary functional expenditures, such as roads and schools. This power is exercised by the sale of general obligation bonds. The general obligation bond indebtedness either city can incur in any given year is limited to a fixed percentage of the net assessed property value. The limited percentage is fixed by state law and may be changed by the state general assembly. General obligation bonds are backed by the full faith and credit of the issuing agency and are repaid through taxes levied on real property.

## STATE SOURCES:

### 4. Indiana Local Road and Street Account

The Local Road and Street (LR&S) fund was established by the 1969 Indiana General Assembly. The funds are derived from gasoline tax, drivers license and vehicle registration fees. Monies of this account are derived from 45% of the Special Highway User Account. The other 55% is deposited into the Primary Highway Special Account to be used by the Department of Transportation. The funds are dedicated for engineering, construction or reconstruction of roads, streets or bridges, as well as for payment of bonds and interest to finance any project of this type.

Total monies collected for this fund are allocated monthly to counties and cities. Monies are allocated in reserve to local agencies based upon formulas accounting for registered passenger cars, population, and roadway mileage. Local units submit their applications for these reserve funds to the Auditor of the state on an individual project basis.

### 5. Indiana Motor Vehicle Highway Account

These funds collected by the State from vehicle registration fees, licenses, operator licenses, automotive title fees, weight taxes and excise taxes on motor vehicle and trailer, are partially returned to local governments by allocation formula. Before distribution, 50 percent of the State Police Budget and the department of traffic safety budget are deducted from the total amount.

The funds returned must be used for construction, reconstruction, maintenance, maintenance or repair of street and allies in the municipalities and county highway or bridges in the counties.

## FEDERAL SOURCES:

### 6. Bridge Replacement Fund

Federal funding for Bridge Replacement is available for bridge projects involving the replacement or rehabilitation of bridges on any state highway, county road, or city or town street. To qualify, a bridge must have a sufficiency rating of less than 50% for replacement, and a sufficiency rating of less than 80% for rehabilitation.

Funds from the federal government are apportioned to the state of Indiana on the basis of square footage of deficient bridges and unit price of Indiana bridges compared to the total deficient bridges in the United States. Indiana portions are distributed 50% to the state and 50% to the counties. The federal matching share is 80% of the project costs.

#### 7. Federal Aid STP Urban

Urban funds provide federal aid sources to any city or town with a population over 5,000, for use on all urban system routes including city streets and state highways within an urbanized area. A street or state highway must be classified as an urban arterial or collector to qualify for urban funds. This includes all city streets with the exception of local streets and all state highways not classified as Interstate or Primary. Funds can be used for projects on streets, bridges, railroad crossings, street signs, pavement striping, lighting, channelization and signalization. The federal share is 80%.

These funds are apportioned to a state's cities and towns by one of two methods: attributable and non-attributable. Attributable funds are apportioned to cities and/or urbanized areas of over 200,000 population classed as Group I cities. Non-attributable urban funds are apportioned to cities and towns of 5,000 to 200,000 population. Federal policy states that cities and/or urbanized areas of 50,000 or greater population must also have their own TIP (Transportation Improvement Program). Cities of 50,000 to 200,000 population are classed as Group II cities and cities and towns with 5,000 to 50,000 are classed as Group III cities. The state apportions non-attributable urban funds based on the total population of each city and/or urbanized area to the total population of Groups II and III cities combined.

#### 8. Federal Aid STP Rural

Federal Aid STP rural or Group IV funds are available for use on all rural secondary systems of states and counties. To qualify, a state highway or county road must be classified as a major collector, which is defined as a highway that:

- provides service to counts seats but not as an arterial route;
- provides service to larger towns and other traffic generators;
- links traffic generators with nearby cities; and
- serves important intra-county travel corridors.

#### 9. STP Enhancement Funds

These funds are dedicated to projects that are non-traditional in nature. Congress has identified 12 categories that may receive these funds. They include: facilities for pedestrians bicycles; acquisition of scenic easements and scenic or historic sites; scenic or historic programs; landscaping and other scenic beautification; historic preservation, rehabilitation of historic transportation buildings; preservation of abandoned railway corridors; control and removal of outdoor advertising; archaeological planning and research; environmental mitigation due to highway run off; provision of safety and educational activities for pedestrians and bicycles; and establishment of transportation museums. These projects competed against others statewide and are selected through a group review process.

#### 10. Hazard Elimination Fund

Funds from this program are to be used on the Federal-Aid Highway System and off-system highways (the majority of these highways are under the jurisdiction of Local Public Agencies). These funds are apportioned to the Indiana Department of Transportation and Local Public Agencies on a 80/20 basis. Funds are used for correction and improvement of deficient characteristics at narrow bridges, on sharp curves, or at intersections with poor visibility or turning movements. The federal matching share is 90%.

#### 11. Interstate Reconstruction

Funds from this program are used to reconstruct interstate highway systems as designated by the Federal Highway Administration. The federal matching share is 90%.

#### 12. Minimum Guarantee Fund

The 1997 Federal Highway Act establishes that a state shall not receive less than 93% of the estimated tax payment from that state paid into the Highway Trust Fund. Funds received by the state of Indiana under this provision will be equitably distributed between the Department of Transportation and Local Public Agencies. The distribution for FY 2001 is calculated by subtracting half the value of demonstration projects of the top of the state's total Minimum Guarantee apportionment and then the balance is distributed 75% to the Department of Transportation and 25% to Local Public Agencies.

These funds may be used in any funding category such as Federal Aid STP Group I, II, III, IV, Bridge Replacement, Hazard Elimination, or Rail Highway Protection and Crossing Funds, but only for the construction of a project.

13. Railroad Relocation Fund

The Federal Government funds 95% for projects involving the relocation of railroads within large cities. Funds are allocated for specific projects only.

14. Rail Highway Protection and Crossing Fund

The monies allocated from these funds are apportioned to Indiana for the installation and upgrading of rail highway protection warning devices and upgrading rail highway crossing surfaces. One-third is distributed to the Indiana Department of Transportation, and two-thirds to Local Public Agencies.

These funds are used for construction or reconstruction of minimal roadway approaches to railroad crossings, construction and reconstruction of railroad crossing surfaces, and the installation of railroad crossing signals or gates. However, the funds may not be used for railroad advance warning signs or pavement markings that are required by Indiana state law. The federal share is 90%.

15. National Highway System Funds

These funds are dedicated for maintenance, repair, reconstruction and construction of the National Highway System. Roads that are part of the National Highway System have been design by Congress. The design standards for these roads are held to a high standard than typical road designs.

ALTERNATIVE SOURCES:

-----

16. Annual License Excise Surtax

The County Council of any county may adopt an ordinance to impose an Annual License Excise Surtax on passenger vehicles, motorcycles, and trucks up to 11,000 pounds. The County Council must concurrently adopt a County Wheel Tax. The license surtax must be at the same rate for each vehicle, and cannot exceed 10% or be less than 2%, but must be more than \$7.50.

The surtax is collected by each branch office of the Bureau of Motor Vehicles at the time registration fees are paid. The branch office

remits the surtax to the County Treasurer on or before the 10th day of each month.

Before the 20th day of each month, the County Auditor allocates the money amongst the county, and its cities and towns, using the same formulas as the Local Road and Street Account. Before the 25th of each month, the County Treasurer distributes to the county, cities and towns the money deposited in the County Surtax Fund during that month. Surtax revenues received are to be used for the construction, reconstruction, repair, or maintenance of streets and roads in the jurisdiction.

17. County Wheel Tax

A County Council may adopt an ordinance to impose an Annual Wheel Tax on buses, recreational vehicles, semitrailers, tractors, trailers, and trucks if they are not: a) used by the state or other political subdivision; b) subject to the Annual License Surtax; and c) operated by a religious or nonprofit youth organization for use to transport persons to services for the overall benefits of its members. The vehicles to be taxed must be registered in the county. In order to adopt the Wheel Tax, the County Council must concurrently adopt the Annual License Excise Surtax. The money generated from the County Wheel Tax may be used only for the construction, reconstruction, repair, or maintenance of roads and streets under its jurisdiction.

18. Tax Increment Financing

A Tax Increment Financing (TIF) district is established by declaration of an allocation area by a county, city, or town. The use of TIF requires the designation of such an area and the determination of a base assessment date. These must be approved by the local plan commission and the legislative body of the city, town, or county. The property tax rate for the allocation area remains the same until the base assessment date expires. However, any net increase in assessed valuation caused by construction and thus a higher property tax rate is segregated, and the incremental property tax collected in the allocation area may be used to finance the construction of infrastructure that will be affected by the development of the allocation area.

19. Thoroughfare Project Fund (I.C. 36-9-6.1)

The fiscal body of a unit that has adopted a thoroughfare plan under I.C. 36-7-4 may levy a tax of fifteen cents (\$0.15) on each one hundred dollars (\$100) of taxable property in the unit. The tax may be levied

annually, in the same way that other property taxes are levied. The taxes collected are deposited in a separate and continuing fund called the thoroughfare fund. Payments or transfers from this fund can only be made for work related to the Thoroughfare Plan.